

EXHIBIT A

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10
11 UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

12 CHARLES R. KING, derivatively on
13 behalf of VERIFONE HOLDINGS,
INC.,

14 Plaintiff,

15 v.

16 DOUGLAS G. BERGERON, JAMES C.
17 CASTLE, LESLIE G. DENEND, ALEX
18 W. (PETE) HART, ROBERT B.
19 HENSKE, EITAN RAFF, CHARLES R.
RINEHART, COLLIN E. ROCHE,
20 CRAIG A. BONDY, AND BARRY
ZWARENSTEIN,

21 Defendants.

22 and

23 VERIFONE HOLDINGS, INC.,

24 Nominal Defendant.

Civil Action No.

C07 07439

VERIFIED DERIVATIVE COMPLAINT FOR
BREACH OF FIDUCIARY DUTY

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BY FAX

ORIGINAL
FILED

DEC 14 2007

RICHARD W. WIERING
CLERK U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

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1 Plaintiff alleges upon personal knowledge as to Plaintiff and Plaintiff's own acts, and as to all
2 other matters, upon information and belief based upon, *inter alia*, the investigation made by and
3 through Plaintiff's attorneys, including a review of the public filings of VeriFone Holdings, Inc.
4 ("VeriFone" or the "Company") including, without limitation, Forms 10-K and 10-Q, annual reports,
5 proxy statements, press releases, published reports and news articles, as follows:

6 INTRODUCTION AND OVERVIEW

7 1. This is a stockholder's derivative action brought on behalf of VeriFone by one of its
8 shareholders against its entire board of directors and/or several of the Corporation's top officers for
9 intentional, reckless and/or negligent breaches of fiduciary duties of loyalty, care, diligence and
10 candor, waste of corporate assets and gross mismanagement, arising out of their allowing VeriFone
11 to make material misrepresentations and misleading statements which the Company knew,
12 deliberately disregarded and/or negligently disregarded were false and materially misleading at the
13 time of such publication, and/or omitted to reveal material information necessary to make the
14 Company's statements, in light of such material omissions, not materially false and misleading at
15 that time.

16 2. Prior to and continuing between August 31, 2006, and November 30, 2007 (the
17 "Relevant Period"), Defendants allowed or acquiesced in the issuance of a series of false and
18 materially misleading statements and omissions which: (i) deceived the investing public regarding
19 VeriFone's business operations, management and the intrinsic value of VeriFone common stock; (ii)
20 made it appear that VeriFone had adopted a Company-wide system of internal controls and
21 procedures to ensure that VeriFone's accounting and financial statements accurately reflected the
22 true financial condition of the Company at all times during the Relevant Period; (iii) enabled the
23 Company to artificially inflate the price of VeriFone shares; and (iv) enabled VeriFone insiders to
24 sell millions of dollars of their privately held VeriFone shares while in possession of material
25 adverse non-public information about the Company.

26 3. The Company's false and misleading statements caused VeriFone's shares to trade at
27 artificially inflated prices, reaching a Relevant Period high of over \$50.00 per share.

28

1 4. In fact, unbeknownst to investors, the truth about VeriFone was that the Company's
2 prior financial results had been overstated, as were the Company's results of operations and
3 foreseeable business prospects.

4 5. On December 3, 2007, investors were shocked by a Company a press release that
5 revealed that VeriFone's previously reported financial statements and reports could no longer be
6 relied upon and that the Company financial results for at least the previous three quarters would be
7 restated.

8 6. The revelations that the Company had materially misrepresented its financial and
9 operational condition, its controls and procedures, as well as its results of operations revealed on
10 December 3, 2007, decimated shares of VeriFone. On that day, shares of the Company plummeted
11 over 45.8% in the single trading day – falling over \$22.00 per share to close at \$26.03 on very high
12 trading volume of over 49 million shares traded.

13 7. As a result of Defendants' illegal conduct, VeriFone has been significantly and
14 materially damaged. First, the false statements and material omissions issued by the Company that
15 artificially inflated the price of VeriFone's common stock have resulted in VeriFone suffering
16 significant losses, as well as being named a defendant in securities fraud class action lawsuits. These
17 class action lawsuits, filed in federal district court in California, seek substantial damages and will
18 cost the Company millions to defend and likely millions more to settle or satisfy any judgment
19 against it. Moreover, these revelations of violations of the securities laws have badly damaged
20 VeriFone's corporate image and goodwill. For at least the foreseeable future, VeriFone will suffer
21 from what is known as the "liar's discount," a term applied to the stocks of companies who have
22 been implicated in illegal behavior and have misled securities analysts and the investing public, such
23 that, for example, VeriFone's ability to raise equity capital on favorable terms in the future will be
24 impaired.

25 8. The Defendants and Management of VeriFone are antagonistic to this lawsuit and
26 making demand on the Board of Directors would be futile. The majority of VeriFone's Board have
27 extremely close alliances and related transactions with and allegiances to the Defendants that made
28 these material misrepresentations and omissions regarding the Company's financials.

JURISDICTION AND VENUE

9. (a) This Court has jurisdiction over all claims asserted herein under 28 U.S.C. § 1332, as complete diversity exists between plaintiff and each defendant and the amount in controversy exceeds the jurisdictional minimum of this Court.

(b) Venue is proper in the Northern District of California pursuant to 28 U.S.C. § 1391 because VeriFone maintains its headquarters within this District, and because many of the acts complained of herein occurred in this District; and

(c) Several of the defendants named in this shareholders' derivative action are residents of or have conducted business relating to VeriFone's affairs in this Judicial District.

10. Plaintiff brings this action on behalf of VeriFone pursuant to Rule 23.1 of the Federal Rules of Civil Procedure based on principles of state law which prohibit breach of the federal securities laws by officers and directors of public corporations and breach of the fiduciary duty of corporate candor by corporate fiduciaries. This action is not a collusive one designed to confer jurisdiction on a court of the United States which it would not otherwise have.

THE PARTIES

11. Plaintiff Charles R. King, resident of Port Saint Lucie, Florida, is, and at all times relevant to the allegations raised herein was, an owner of shares of VeriFone stock. Plaintiff brings this action derivatively in the right of and for the benefit of VeriFone and its shareholders. Plaintiff will fairly and adequately represent the interests of VeriFone and its shareholders in enforcing the rights of the Company.

12. Nominal Defendant VeriFone is a Delaware corporation with its principal executive offices located at 2099 Gateway Place, Suite 600, San Jose, California. VeriFone describes itself as "the global leader in secure electronic payment technologies." VeriFone's customers include financial institutions, payment processors, petroleum companies, retailers, government organizations, and healthcare companies, as well as independent sales organizations in North America, Europe, the Middle East, Africa, Asia/Pacific and Latin America.

13. Defendant Douglas G. Bergeron ("Bergeron") is and at all times relevant to the allegations raised herein was Chairman and Chief Executive Officer ("CEO") of the Company since

1 July 2001. During the Relevant Period, defendant Bergeron signed the Company's SEC filings.
2 According to the Company's 2007 Proxy statement, as of December 31, 2006, defendant Bergeron
3 owned or controlled 3,412,483 shares of VeriFone stocks, representing 4.2% of the Company's
4 outstanding shares of common stock. In addition to his dominance and control over VeriFone as a
5 result of his board membership and position as CEO of the Company, defendant Bergeron also has
6 longstanding personal and professional entanglements and relationships with other board members,
7 which have prevented them and is preventing him from acting independently to fulfill fiduciary
8 duties owed to VeriFone and its shareholders.

9 14. Defendant James C. Castle ("Castle") is and at all times relevant to the allegations
10 raised herein was a director of the Company since January 2005. According to the Company's 2007
11 Proxy Statement, as of December 31, 2006, defendant Castle owned or controlled 19,500 shares of
12 VeriFone stock. In addition to his dominance and control over VeriFone as a result of his
13 chairmanship over the Board of Directors, defendant Castle also has longstanding personal and
14 professional entanglements and relationships with other board members, which have prevented them
15 and is preventing him from acting independently to fulfill fiduciary duties owed to VeriFone and its
16 shareholders.

17 15. Defendant Leslie G. Denend ("Denend") is and at all times relevant to the allegations
18 raised herein was a director of the Company since 2005. According to the Company's 2007 Proxy
19 Statement, as of December 31, 2006, defendant Denend owned or controlled 15,000 shares of
20 VeriFone stock. In addition to his dominance and control over VeriFone as a result of his Board
21 membership, defendant Denend also has longstanding personal and professional entanglements and
22 relationships with other board members, which have prevented them and is preventing her from
23 acting independently to fulfill fiduciary duties owed to VeriFone and its shareholders.

24 16. Defendant Alex W. (Pete) Hart ("Hart") is and at all times relevant to the allegations
25 raised herein was a director of the Company since 1997. According to the Company's 2007 Proxy
26 Statement, as of December 31, 2006, defendant Hart owned or controlled 1,000 shares of VeriFone
27 stock. In addition to his dominance and control over VeriFone as a result of his Board membership,
28 defendant Hart also has longstanding personal and professional entanglements and relationships with

1 other board members, which have prevented them and is preventing him from acting independently
2 to fulfill fiduciary duties owed to VeriFone and its shareholders.

3 17. Defendant Robert B. Henske ("Henske") is and at all times relevant to the allegations
4 raised herein was a director of the Company since 2005. According to the Company's 2007 Proxy
5 Statement, as of December 31, 2006, defendant Henske owned or controlled 15,000 shares of
6 VeriFone stock. In addition to his dominance and control over VeriFone as a result of his Board
7 membership, defendant Henske also has longstanding personal and professional entanglements and
8 relationships with other board members, which have prevented them and is preventing him from
9 acting independently to fulfill fiduciary duties owed to VeriFone and its shareholders.

10 18. Defendant Eitan Raff ("Raff") is and at all times relevant to the allegations raised
11 herein was a director of the Company since 2007. In addition to his dominance and control over
12 VeriFone as a result of his Board membership, defendant Raff also has longstanding personal and
13 professional entanglements and relationships with other board members, which have prevented them
14 and is preventing him from acting independently to fulfill fiduciary duties owed to VeriFone and its
15 shareholders.

16 19. Defendant Charles R. Rinehart ("Rinehart") is and at all times relevant to the
17 allegations raised herein was a director of the Company since 2006. In addition to his dominance
18 and control over VeriFone as a result of his Board membership, defendant Rinehart also has
19 longstanding personal and professional entanglements and relationships with other board members,
20 which have prevented them and is preventing him from acting independently to fulfill fiduciary
21 duties owed to VeriFone and its shareholders.

22 20. Defendant Collin E. Roche ("Roche") is and at all times relevant to the allegations
23 raised herein was a director of the Company since 2002 and is a principal of GTCR Golder Rauner,
24 L.L.C. ("GTCR"), which owns 20% of VeriFone's outstanding shares of common stock. According
25 to the Company's 2007 Proxy Statement, as of December 31, 2006, defendant Roche, together with
26 defendant Craig A. Bondy and three funds controlled by GTCR, owned or controlled 16,458,911
27 shares of VeriFone stock. In addition to his dominance and control over VeriFone as a result of his
28 Board membership, defendant Roche also has longstanding personal and professional entanglements

1 and relationships with other board members, which have prevented them and is preventing him from
2 acting independently to fulfill fiduciary duties owed to VeriFone and its shareholders.

3 21. Defendant Craig A. Bondy ("Bondy") was a director of the Company since 2002 until
4 October 2007. While he was a VeriFone director, Bondy was a principal of GTCR Golder Rauner,
5 L.L.C. ("GTCR"), which owns 20% of VeriFone's outstanding shares of common stock. According
6 to the Company's 2007 Proxy Statement, as of December 31, 2006, defendant Bondy, together with
7 defendant Roche and three funds controlled by GTCR, owned or controlled 16,458,911 shares of
8 VeriFone stock.

9 22. Defendant Barry Zwarenstein ("Zwarenstein") is and at all times relevant to the
10 allegations raised herein was Chief Financial Officer and Principal Accounting Officer of the
11 Company. During the Relevant Period, defendant Zwarenstein signed and certified the Company's
12 SEC Filings, including but not limited to VeriFone's Form(s) 10-Q and its fiscal 2006 Form 10-K.
13 According to the Company's 2007 Proxy Statement, as of December 31, 2006, defendant
14 Zwarenstein owned or controlled 165,187 shares of VeriFone stock.

15 23. Defendants Bergeron, Castle, Denend, Hart, Henske, Raff, Rinehart and Roche
16 represent the Company's current Board members and are collectively referred to hereinafter as the
17 "Director Defendants." Defendants Bergeron, Castle, Denend, Hart, Henske, Raff, Rinehart, Roche,
18 Bondy and Zwarenstein represent are collectively referred to hereinafter as the "Defendants."

19 **DIRECTOR DEFENDANTS' DUTIES**

20 24. By reason of their positions as directors, officers, and/or fiduciaries of the Company
21 and because of their ability to control the business and corporate affairs of the Company, the
22 Director Defendants owed the Company and its shareholders fiduciary obligations of trust, loyalty,
23 good faith and due care, and were and are required to use their utmost ability to control and manage
24 the Company in a fair, just, honest and equitable manner. The Director Defendants were and are
25 required to act in furtherance of the best interests of the Company and its shareholders so as to
26 benefit all shareholders equally and not in furtherance of their personal interest or benefit.

27 25. Each director and/or officer of the Company owes to it and its shareholders the
28 fiduciary duty to exercise good faith and diligence in the administration of the affairs of the

1 Company and in the use and preservation of its property and assets, as well as the highest obligations
2 of fair dealing. In addition, as officers and/or directors of a publicly held company, the Director
3 Defendants had a duty to promptly disseminate accurate and truthful information with regard to the
4 Company's revenue, margins, operations, performance, management, projections and forecasts so
5 that the market price of the Company's stock would be based on truthful and accurate information.

6 26. The Director Defendants, because of their positions of control and authority as
7 directors and/or officers of the Company, were able to and did, directly and/or indirectly, exercise
8 control over the wrongful acts complained of herein, as well as the contents of the various public
9 statements issued by the Company. Because of their advisory, executive, managerial and directorial
10 positions with the Company, each of the Defendants had access to adverse non-public information
11 about the financial condition, operations, and improper representations of the Company.

12 27. At all times relevant hereto, each of the Director Defendants was the agent of each of
13 the other Defendants and of the Company, and was at all times acting within the course and scope of
14 such agency.

15 28. To discharge their duties, the directors and officers of the Company were required to
16 exercise reasonable and prudent supervision over the management, policies, practices and controls of
17 the financial affairs of the Company. By virtue of such duties, the directors and officers of the
18 Company were required to, among other things:

- 19 • ensure that the Company complied with its legal obligations and requirements,
20 including acting only within the scope of its legal authority and disseminating
21 truthful and accurate statements to the SEC and the investing public;
- 22 • conduct the affairs of the Company in an efficient, business-like manner so as to
23 make it possible to provide the highest quality performance of its business, to avoid
24 wasting the Company's assets, and to maximize the value of the Company's stock;
- 25 • properly and accurately guide investors and analysts as to the true financial condition
26 of the Company at any given time, including making accurate statements about the
27 Company's financial results and prospects, and ensuring that the Company
28 maintained an adequate system of financial controls such that the Company's

1 financial reporting would be true and accurate at all times;

- 2 • remain informed as to how the Company conducted its operations, and, upon receipt
3 of notice or information of imprudent or unsound conditions or practices, make
4 reasonable inquiry in connection therewith, and take steps to correct such conditions
5 or practices and make such disclosures as necessary to comply with federal and state
6 securities laws; and
- 7 • ensure that the Company was operated in a diligent, honest and prudent manner in
8 compliance with all applicable federal, state and local laws, rules and regulations.

9 29. Each Director Defendant, by virtue of his position as a director and/or officer, owed
10 to the Company and to its shareholders the fiduciary duties of loyalty, good faith and the exercise of
11 due care and diligence in the management and administration of the affairs of the Company, as well
12 as in the use and preservation of its property and assets. The conduct of the Director Defendants
13 complained of herein involves a knowing and culpable violation of their obligations as directors and
14 officers of the Company, the absence of good faith on their part, and a reckless disregard for their
15 duties to the Company and its shareholders that Director Defendants were aware or should have been
16 aware posed a risk of serious injury to the Company. The conduct of the Director Defendants who
17 were also officers and/or directors of the Company during the Relevant Period have been ratified by
18 the remaining Director Defendants who collectively comprised all of the Company's Board during
19 the Relevant Period.

20 30. Director Defendants breached their duties of loyalty and good faith by allowing
21 Defendants to cause, or by themselves causing, the Company to misrepresent its financial results and
22 future prospects, as detailed herein infra, and by failing to prevent any Defendant(s) from taking
23 such illegal actions.

24 **CONSPIRACY, AIDING AND ABETTING, AND CONCERTED ACTION**

25 31. In committing the wrongful acts alleged herein, Defendants have pursued, or joined in
26 the pursuit of, a common course of conduct, and have acted in concert with and conspired with one
27 another in furtherance of their common plan or design. In addition to the wrongful conduct herein
28

1 alleged as giving rise to primary liability, Defendants further aided and abetted and/or assisted each
2 other in breaching their respective duties.

3 32. During all times relevant hereto, Defendants collectively and individually initiated a
4 course of conduct that was designed to and did: (i) deceive the investing public regarding VeriFone's
5 business operations, management and the intrinsic value of VeriFone common stock; (ii) make it
6 appear that VeriFone had adopted a Company-wide system of internal controls and procedures to
7 ensure that VeriFone's accounting and financial statements accurately reflected the true financial
8 condition of the Company at all times during the Relevant Period; (iii) enable the Company to
9 artificially inflate the price of VeriFone shares; and (iv) enable VeriFone insiders to sell millions of
10 dollars of their privately held VeriFone shares while in possession of material adverse non-public
11 information about the Company. In furtherance of this plan, conspiracy and course of conduct,
12 Defendants collectively and individually took the actions set forth herein.

13 33. Defendants engaged in a conspiracy, common enterprise and/or common course of
14 conduct during the Relevant Period. During this time, Defendants caused the Company to conceal
15 the true fact that the Company was misrepresenting its financial well-being and future business
16 prospects.

17 34. The purpose and effect of Defendants' conspiracy, common enterprise, and/or
18 common course of conduct was, among other things, to disguise Defendants' violations of federal
19 securities law, breaches of fiduciary duty, waste of corporate assets and unjust enrichment; and to
20 conceal adverse information concerning the Company's operations, financial condition and future
21 business prospects.

22 35. Defendants accomplished their conspiracy, common enterprise and/or common
23 course of conduct by causing the Company to purposefully, recklessly or negligently release
24 improper statements. Because the actions described herein occurred under the authority of the
25 Board, each of the Director Defendants was a direct, necessary and substantial participant in the
26 conspiracy, common enterprise and/or common course of conduct complained of herein.

27 36. Each of the Defendants aided and abetted and rendered substantial assistance in the
28 wrongs complained of herein. In taking such actions to substantially assist the commission of the

1 wrongdoing complained of herein, each Defendant acted with knowledge of the primary
2 wrongdoing, substantially assisted the accomplishment of that wrongdoing, and was aware of his
3 overall contribution to and furtherance of the wrongdoing.

4 37. As members of the Board of Directors of VeriFone, the directors named herein as
5 Defendants were themselves directly responsible for authorizing or permitting the authorization of,
6 or failing to monitor, the practices which resulted in the misappropriation of confidential corporate
7 information and violation of the federal securities laws as alleged herein. Each of them had
8 knowledge of and actively participated in and approved of the wrongdoings alleged or abdicated his
9 responsibilities with respect to these wrongdoings. The alleged acts of wrongdoing subjected
10 VeriFone to unreasonable risks of loss.

11 38. By reason of their membership on the VeriFone Board of Directors and positions as
12 executive officers of the Company, the Defendants were each controlling persons of VeriFone and
13 had the power and influence to cause, and did cause, the Company to engage in and/or permit the
14 conduct complained of herein.

15 SUBSTANTIVE ALLEGATIONS

16 **Materially False and Misleading** 17 **Statements Made During the Relevant Period**

18 39. On August 31, 2006, the inception of the Relevant Period, Defendants allowed the
19 Company to publish a release announcing purported strong results for the fiscal third quarter of
20 2006, the period ended July 31, 2006. This release stated, in part, the following:

21 **VeriFone Reports Third Quarter Fiscal 2006 Results; Record Third Quarter**
22 **Revenues of \$148 Million; EBITDA Margins, as Adjusted, Increased to 22.6%**
for the Quarter; Third Quarter GAAP Net Income Increased 156%

23 VeriFone Holdings, Inc. (NYSE: PAY), a leading global provider of technology that
24 enables electronic payment transactions, today announced financial results for the
three months ended July 31, 2006.

25 Net revenues for the three months ended July 31, 2006, were \$147.6 million, an
26 increase of 17% over net revenues of \$125.7 million for the comparable period of
27 fiscal 2005. The increase was driven by a 19% increase in net revenues from
28 VeriFone's North America business and a 16% increase in net revenues in
VeriFone's International business.

1 Gross margins, under generally accepted accounting principles (GAAP), for the three
2 months ended July 31, 2006, were 45.0%, compared to 40.7% for the three months
3 ended July 31, 2005. Gross margins, excluding non-cash amortization of purchased
4 intangibles and stock-based compensation expense, expanded for the seventh
5 consecutive quarter and reached 45.9% compared to 42.0% for the three months
6 ended July 31, 2005.

7 Net income for the three months ended July 31, 2006, was \$16.8 million, or \$0.24
8 per diluted share, compared to \$6.5 million, or \$0.10 per diluted share, for the
9 comparable period of fiscal 2005. Net income, as adjusted, which excludes non-cash
10 amortization of purchased intangibles and debt issuance costs, as well as non-crib
11 stock-based compensation expense, for the three months ended July 31, 2006, was
12 \$19.7 million, or \$0.28 per diluted share, compared to \$13.1 million, or \$0.20 per
13 diluted share, for the comparable period of fiscal 2005.

14 40. The August 31, 2006 release also quoted defendant Bergeron, in part, as follows:

15 "We are once again extremely pleased with the consistency of our quarterly results,
16 demonstrated by our tenth consecutive quarter with double digit revenue growth and
17 our eighth consecutive quarter of expanded EBITDA as adjusted margins, which
18 reached a record level of 22.6% in the quarter," said Douglas G. Bergeron, Chairman
19 and Chief Executive Officer. "We are expecting to close the acquisition of Lipman
20 Electronic Engineering Ltd., by November 1, 2006, and remain confident that we
21 will receive clearance by the United States Department of Justice very shortly. We
22 remain on track to deliver another year of outstanding results and we remain
23 confident in our long-term model, which calls for annual revenue growth of 10 to
24 15% and annual adjusted net income per share growth of 20% or more."

25 "Based on our confidence with our near term and long term outlook, we are raising
26 our FY06 year end guidance to \$1.07 to \$1.08 of adjusted net income per share. We
27 are also raising our FY07 guidance to \$1.40 to \$1.42 of adjusted net income per
28 share, assuming a November 1, 2006, completion of the Lipman acquisition,"
continued Bergeron.

41. On the same day as the, August 31, 2006 release, the Company hosted a conference
call for shareholders and analysts during which VeriFone's CFO, defendant Zwarenstein, also
provided purported forward guidance for the fourth quarter of 2006 and for full year 2007, stating, in
part, as follows:

Our Guidance for the fourth quarter is for revenue of between \$150 and \$152 million.
Net income, as adjusted, are between \$19.4 and \$20.1 million, and GAAP net income
of between \$16 and \$16.7 million. With an estimated 69.2 million fully diluted
shares outstanding, we are expecting EPS on a net income adjusted basis of between
\$0.28 and \$0.29 and on a GAAP basis of between \$0.23 and \$0.24.

Based on this, we are increasing our guidance for the full 2006 year. Revenue in the
range of \$574 to \$576 million and EPS on a net income as adjusted basis of between
\$1.07 and \$1.08, and on a GAAP basis, of between \$0.89 and \$0.90. Concerning our
current expectations for fiscal 2007 earnings, we are reaffirming our previously
stated long-term business model, which calls for organic growth in per share net
income as adjusted earnings of around 20%.

1 Based upon our improved 2006 results, our expectations for 2007 adjusted earnings
 2 are now in the range of \$1.28 to \$1.30 excluding the impact of the acquisition.
 3 Incremental to this, we are also reaffirming our previous statement made on April 10
 4 [inaudible] where we announced the Lipman offer. That is, we expect to enjoy the
 benefit of full-year accretion from the acquisition of Lipman of approximately \$0.12
 per share.

5 Taking into account both the anticipated organic growth and the accretion from the
 6 Lipman acquisition, we are currently anticipating EPS, on a net income as adjusted
 basis, in the range of \$1.40 to \$1.42 per share for the fiscal 2007 year starting on
 November 1, 2006.

7 42. On or about September 1, 2006, Defendants allowed VeriFone to file the Company's
 8 3Q06 Form 10-Q for the fiscal quarter ending July 31, 2006 with the SEC. In addition to making
 9 substantially similar statements concerning the Company's operations and financial condition as had
 10 been published previously, the Company's 3Q06 Form 10-Q also contained representations which
 11 attested to the purported effectiveness and sufficiency of the Company's controls and procedures,
 12 including as follows:
 13

14 ITEM 4. CONTROLS AND PROCEDURES

15 (a) Evaluation of disclosure controls and procedures.

16 With the participation of our Chief Executive Officer and Chief Financial Officer,
 17 management has carried out an evaluation of the effectiveness of our disclosure controls and
 18 procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based
 upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that
 19 our disclosure controls and procedures were effective as of the end of the period covered by
 this report.

20 (b) Changes in internal control over financial reporting.

21 During the third quarter of our fiscal year ending October 31, 2006, we implemented
 22 the following changes to internal control over financial reporting (as defined in Rule
 13a-15(f) under the Securities Exchange Act of 1934):

- 23 • enhanced the secondary review for certain sales orders to ensure proper accounting;
- 24 • issued additional formal accounting policies and enhanced processes surrounding the
 recording of certain transactions for the purposes of enhancing internal controls.

25 These actions represent management's continued emphasis to adopt internal control
 26 related to developing business needs and to enhance the internal control environment
 as management continues to prepare for reporting on our internal control over
 27 financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002.

1 43. Following the publication of these purported strong financial results shares of
2 VeriFone continued to trade at artificially inflated prices.

3 44. Unbeknownst to shareholders, however, the statements contained in VeriFone's
4 August 31, 2006 release and those statements contained in the Company's 3Q06 Form 10-Q,
5 referenced above, were each materially false and misleading when made, and were known or should
6 have been known by Director Defendants to be false or were recklessly disregarded as such thereby,
7 for the following reasons, among others:

8
9 A. At all times during the Relevant Period, it was not true that the Company's
10 purported success was the result of its integration of acquisitions or competent management
11 when, in fact, throughout the Relevant Period, Defendants allowed the Company to overstate
12 its results by manipulating VeriFone's accounting for revenues and income, and failing to
13 report other material information about the Company;

14
15 B. At all times during the Relevant Period, unbeknownst to investors, the
16 Company had materially overstated its profitability by failing to properly account for the
17 Company's results of operations and by artificially inflating the Company's financial results;

18 C. Throughout the Relevant Period, it was also not true that VeriFone contained
19 adequate systems of internal operational or financial controls such that VeriFone's reported
20 financial statements were true, accurate, or reliable;

21
22 D. As a result of the foregoing, throughout the Relevant Period it also was not
23 true that the Company's financial statements and reports were prepared in accordance with
24 GAAP and SEC rules; and

25 E. As a result of the aforementioned adverse conditions, throughout the Relevant
26 Period, the Company lacked any reasonable basis to claim that VeriFone was operating
27 according to plan, or that VeriFone could achieve and/or endorsed by Defendants.
28

45. On December 7, 2006, Defendants allowed the Company to publish a release announcing purported strong results for the fourth quarter and full year fiscal 2006, the period ended October 31, 2006. This release stated, in part, the following:

**Fourth-Quarter Revenues Increased 20% to \$157 Million
EBITDA, as Adjusted, Margins Increased to 24.2% for the Quarter
Fourth Quarter Net Income, as Adjusted, Increased 50% to \$22.3 Million**

SAN JOSE, Calif.--(BUSINESS WIRE) VeriFone Holdings, Inc. (NYSE: PAY), the global leader in secure electronic payment solutions, today announced financial results for the three months and fiscal year ended October 31, 2006.

Net revenues for the three months ended October 31, 2006, were \$156.6 million, an increase of 20% over net revenues of \$130.5 million for the comparable period of 2005. The increase was driven by a 30% increase in net revenues from VeriFone's International business and a 14% increase in net revenues from VeriFone's North America business.

Gross margins, under generally accepted accounting principles (GAAP), for the three months ended October 31, 2006, were 46.0%, compared to 42.7% for the three months ended October 31, 2005. Gross margins, excluding non-cash amortization of purchased intangibles and stock-based compensation expense, expanded for the eighth consecutive quarter and reached 47.1% for the three months ended October 31, 2006, compared to 44.0% for the comparable period of 2005.

Net income for the three months ended October 31, 2006, was \$13.9 million, or \$0.20 per diluted share, compared to \$12.1 million, or \$0.18 per diluted share, for the comparable period of fiscal 2005. GAAP net income was impacted in the quarter by the \$4.1 million after-tax write off of debt issuance costs, attributable to the refinancing of outstanding debt in connection with the Lipman acquisition. Net income, as adjusted, which excludes non-cash amortization of purchased intangibles In issuance costs, as well as non-cash stock-based compensation expense, for the three months ended October 31, 2006, was \$22.3 million, or \$0.32 per diluted share, compared to \$14.9 million, or \$0.22 per diluted share, for the comparable period of fiscal 2005.

* * *

Net revenues for the fiscal year ended October 31, 2006, were \$581.0 million, an increase of 20% over the \$485.4 million recorded for fiscal 2005.

Net income for the fiscal year ended October 31, 2006, was \$59.5 million, compared to \$33.2 million for fiscal 2005. Net income, as adjusted, for the fiscal year ended October 31, 2006, was \$76.4 million, compared to \$49.7 million, for fiscal 2005.

EBITDA, as adjusted; for the fiscal year ended October 31, 2006, was \$130.4 million, an increase of 51% over the \$86.4 million recorded for fiscal 2005. EBITDA, as adjusted, margins for the fiscal year ended October 31, 2006, were 22.4%, compared to 17.8% for the comparable period of 2005.

46. The December 7, 2006 release also quoted defendant Bergeron, in part, as follows:

1 "VeriFone has completed another outstanding quarter and achieved record revenue
2 and earnings for fiscal year 2006. This year was highlighted by our transformative
3 acquisition of Lipman which combined the two strongest financial performers in the
industry to create the world leader in payment technology," said Douglas G.
Bergeron, Chairman and Chief Executive Officer.

4 "We enter our new financial year poised to capitalize on our numerous competitive
5 advantages and our very wide range of product offerings," continued Bergeron. "The
6 integration of Lipman into VeriFone has been completed ahead of schedule and we
have created a single-branded, unified company with tremendous scale advantages.
Already, we are enjoying several supply chain efficiencies and earnings accretion."

7 "As a result, we have increased our internal expectations for fiscal Q1 2007 net
8 earnings per share, as adjusted, to be in the range of \$0.33 to \$0.34. We remain very
confident of our prospects in fiscal 2007."

9 47. Also on December 7, 2006, the Company hosted a conference call for shareholders
10 and analysts during which defendant Zwarenstein also provided purported forward guidance, stating,
11 in part, as follows:

12 In the guidance I am about to provide, please note that it assumes combined
13 integration expenses and Oracle 11i expenses in the first quarter of \$1.3 million. Our
14 guidance for the first quarter is for revenue of between \$212 million and \$215
15 million, excluding the non-cash GAAP charge of between \$4 million and \$5 million
for the deferred revenue adjustment. Net income as adjusted is expected to be
16 between \$27.5 million and \$28.5 million and GAAP net income to be between \$1.9
17 million and \$2.9 million. With the estimated 83.3 million fully diluted shares
outstanding, including the 13.5 million shares that were issued as part of the Lipman
transaction, we are expecting earnings per share on a net income as adjusted basis of
between \$0.33 and \$0.34 and on a GAAP basis of between \$0.02 and \$0.03.

18 When questioned by analyst Greg Smith as to why the Company had not reiterated FY 2007 forward
19 guidance as they had done previously, the following exchange occurred:

20 GREG SMITH: Great. And then, I guess, for Barry, you originally had provided FY
21 2007 guidance and now you are providing guidance for just the first quarter, how
should we think about the prior full-year EPS range you provided?

22 BARRY ZWARENSTEIN: Thank you for asking that because it could be confusing
23 to some investors. It has been the Company's policy since the IPO to provide next
24 quarter guidance only. As a result -- and a long-term guidance roadmap that we could
25 grow EPS as adjusted on a 20% or better basis without acquisitions, without
26 transformative acquisitions like Lipman. Because of all of that, we broke our own
27 self-imposed rule if you will and then did the math for you when we were at \$1.08
for a year, \$1.07 multiplied times 1.2 and out of the \$0.12. We weren't intending to
28 give full-year guidance; we were showing you what our long-term model would steer
you to. We are now continuing to resort to our time-proven practices of providing
quarterly guidance and frankly, it is up to you to make your best judgment on long-
term full-year guidance.

1 48. On or about December 18, 2006, Defendants allowed the Company to file with the
2 SEC the Company's FY2006 Form 10-K for the fiscal year ended October 31, 2006. In addition to
3 making substantially similar statements concerning the Company operations, finances, controls and
4 procedures, and its GAAP and SEC accounting role compliance as had been published previously,
5 the FY2006 Form 10-K also reported statements concerning the Company's purported Revenue
6 Recognition Policies, stating, in part, as follows:
7

8 **Revenue Recognition**

9 Net revenues from System Solutions are recognized upon shipment, delivery, or
10 customer acceptance of the product as required pursuant to the customer
11 arrangement. Net revenues from services such as customer support are initially
12 deferred and then recognized on a straight-line basis over the term of the contract.
13 Net revenues from services such as installations, equipment repairs, refurbishment
14 arrangements, training and consulting are recognized as the services are rendered.
15 For arrangements with multiple elements, we allocate net revenues to each element
16 using the residual method based on objective and reliable evidence of the fair value
17 of the undelivered element. We defer the portion of the arrangement fee equal to the
18 objective evidence of fair value of the undelivered elements until they are delivered.

19 While the majority of our sales transactions contain standard business terms and
20 conditions, there are some transactions that contain non-standard business terms and
21 conditions. As a result, significant contract interpretation is sometimes required to
22 determine the appropriate accounting including: (1) whether an arrangement exists
23 and what is included in the arrangement; (2) how the arrangement consideration
24 should be allocated among the deliverables if there are multiple deliverables; (3)
25 when to recognize net revenues on the deliverables; (4) whether undelivered
26 elements are essential to the functionality of delivered elements; and (5) whether we
27 have fair value for the undelivered element. In addition; our revenue recognition
28 policy requires an assessment as to whether collectibility is probable, which
inherently requires us to evaluate the creditworthiness of our customers. Changes in
judgments on these assumptions and estimates could materially impact the timing of
revenue recognition.

49. Following the publication of these purported strong financial results shares of
VeriFone continued to trade at artificially inflated prices.

50. The statements made by Defendants and contained in the Company's December 7,
2006 release and in the Company's FY2006 Form 10-K were materially false and misleading when
made, and were know or should have been known by Director Defendants to be false at that time or
were recklessly disregarded as such thereby for the reasons stated herein in ¶ 42(A)-(E), *supra*.

1 51. On March 1, 2007, Defendants allowed VeriFone to publish a release on *Business*
 2 *Wire* in which it announced its financial results for the first fiscal quarter ended January 31, 2007.
 3 The press release stated, in part, the following:

4 **VeriFone Reports First Quarter Fiscal 2007 Results**

5 Revenues of \$217 million Grew 61 % due to Lipman Acquisition and Strong
 6 International Performance

7 Record EBITDA, as adjusted, margins of 25.7%

8 EPS, as adjusted, increases 54% to 37 cents

9 SAN JOSE, Calif.--(BUSINESS WIRE)--March 1, 2007--VeriFone Holdings, Inc.
 10 (NYSE: PAY), the global leader in secure electronic payment solutions, today
 11 announced financial results for the three months ended January 31, 2007. The
 12 Company's first quarter results reflect the November 1, 2006, acquisition of
 Lipman and, because of the integration of Lipman's products and distribution
 channels as well as the lack of comparable quarter ends of VeriFone and Lipman,
 are compared to preacquisition results of prior fiscal periods.

13 Net revenues, for the three months ended January 31, 2007, were \$216.6 million,
 14 61% higher than the net revenues of \$134.6 million for the comparable period of
 2006. The record revenues were driven by the Lipman acquisition and a strong
 15 performance internationally.

16 Gross margins, excluding non-cash acquisition related charges and stock-based
 17 compensation expense, were 47.1%, for the three months ended January 31, 2007,
 compared to 45.6% for the comparable period of 2006. GAAP gross margins for
 18 the three months ended January 31, 2007, were 37.6%, compared to 44.3% for the
 three months ended January 31, 2006, as a result of increased amortization of
 purchased technology assets and the step-up in inventory.

19 EBITDA, as adjusted, margins for the three months ended January 31, 2007,
 20 expanded for the tenth consecutive quarter and reached a record level of 25.7%,
 compared to the 21.0% recorded in the three months ended January 31, 2006.

21 GAAP EPS for the three months ended January 31, 2007, was a loss of (\$0.01) per
 22 diluted share, compared to \$0.20 per diluted share, for the comparable period of
 23 fiscal 2006, due to acquisition related charges and a higher GAAP tax rate. Net
 24 income, as adjusted, which excludes non-cash acquisition related charges and debt
 issuance costs, as well as non-cash stock-based compensation expense, for the three
 months ended January 31, 2007, increased 54% to \$0.37 per diluted share,
 compared to \$0.24 per diluted share, for the three months ended January 31, 2006.

52. On March 12, 2007, Defendants also caused the Company to file with the SEC the Company's financial results for the quarter ended January 31, 2007 pursuant to Form 10-QA ("1Q07 Form 10-QA"). The 1Q07 Form 10-QA contained many of the same materially false and misleading statements the Company had made previously relating to the financial and operational performance of the Company. In addition, the 1Q07 Form 10-QA stated, in part, the following:

Unaudited Interim Financial Information

The accompanying consolidated balance sheet as of January 31, 2007 and the consolidated statements of operations and cash flows for the three months ended January 31, 2007 and 2006 are unaudited. These unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and Form 10-Q and Article 10 of Regulation S -X. In the opinion of the Company's management, the unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and include all adjustments of a normal recurring nature necessary for the fair presentation of the Company's financial position as of January 31, 2007 and its results of operations and cash flows for the three months ended January 31, 2007 and 2006.

* * *

Inventories

Inventories are stated at the lower of standard cost or market. Standard costs approximate the first-in, first-out ("FIFO") method. The Company regularly monitors inventory quantities on hand and records write-downs for excess and obsolete inventories based primarily on the Company's estimated forecast of product demand and production requirements. Such write-downs establish a new cost-basis of accounting for the related inventory. Actual inventory losses may differ from management's estimates.

* * *

Segment Information

The Company is primarily structured in a geographic manner. The Company's Chief Executive Officer has been identified as the Chief Operating Decision Maker ("CODM") as defined by SFAS No. 131, "*Disclosures About Segments of an Enterprise and Related Information*". The CODM reviews consolidated financial information on revenues and gross profit percentage for System Solutions and Services. The CODM also reviews operating expenses, certain of which are allocated to the Company's two segments described below.

The Company operates in two business segments: 1) North America and 2) International. The Company defines North America as the United States and Canada, and International as the countries in which it makes sales outside the United States and Canada.

1 Net revenues and operating income of each business segment reflect net revenues
 2 generated within the segment, standard cost of System Solutions net revenues,
 3 actual cost of Services net revenues and expenses that directly benefit only that
 4 segment. Corporate revenues and operating income reflect amortization of
 5 intangible assets, stock-based compensation, in-process research and development
 6 expense, and amortization of the step-up in the fair value of inventories, equipment
 and improvements and deferred revenue resulting from acquisitions. Corporate
 income also reflects the difference between the actual and standard cost of System
 Solutions net revenues and shared operating costs that benefit both segments,
 predominately research and development expenses and centralized supply chain
 management.

7 53. The 1Q07 Form 10-QA also contained a certification submitted pursuant to Section
 8 906 of The Sarbanes-Oxley Act Of 2002, signed by defendants Bergeron and Zwarenstein, which
 9 certified the veracity of the Company's financial statements, as follows:

10 2. Based on my knowledge, this report does not contain any untrue statement
 11 of a material fact or omit to state a material fact necessary to make the statements made, in
 12 light of the circumstances under which such statements were made, not misleading with
 respect to the period covered by this report;

13 3. Based on my knowledge, the financial statements, and other financial
 14 information included in this report, fairly present in all material respects the financial
 15 condition, results of operations and cash flows of the registrant as of, and for, the periods
 presented in this report.

16 54. On May 29, 2007, the Defendants allowed VeriFone to publish a release on
 17 *Business Wire* in which it announced its financial results for the second fiscal quarter ended April
 18 30, 2007. This press release stated, in part, the following:

19 **VeriFone Reports Second Quarter Fiscal 2007 Results**

20 Revenues of \$217 Million Grew 53% Due to Lipman Acquisition and Resurgent North
 21 American Growth

22 Record EBITDA, as Adjusted, Margins of 26.3%

23 EPS, as Adjusted, Increases 50% to 39 Cents

24 SAN JOSE, Calif--(BUSINESS WIRE)--May 29, 2007--VeriFone Holdings, Inc.
 25 (NYSE: PAY), the global leader in secure electronic payment solutions, today
 announced financial results for the three months ended April 30, 2007.

26 Net revenues, for the three months ended April 30, 2007, were \$217.2 million, 53%
 27 higher than the net revenues of \$142.2 million for the comparable period of 2006.
 28 VeriFone's International business increased 97% and VeriFone's North America
 business increased 19%. The significant increase in sales was driven largely by the
 acquisition of Lipman, which closed November 1, 2006.

1 * * *

2 Gross margins, excluding non-cash acquisition related charges and stock-based
3 compensation expense, expanded to a record 48.1%, for the three months ended
4 April 30, 2007, compared to 45.7% for the comparable period of 2006. GAAP
5 gross margins for the three months ended April 30, 2007, were 41.5%, compared to
44.6% for the three months ended April 30, 2006, as a result of increased
amortization of purchased technology assets, the step-up in inventory and stock-
based compensation.

6 * * *

7 EBITDA, as adjusted, margins for the three months ended April 30, 2007,
8 expanded for the eleventh consecutive quarter and reached a record level of 26.3%,
compared to the 21.6% recorded in the three months ended April 30, 2006.

9 GAAP EPS for the three months ended April 30, 2007, was \$0.06 per diluted share,
10 compared to \$0.22 per diluted share, for the comparable period of fiscal 2006, due
11 to acquisition related non-cash charges, higher stock-based compensation expense
12 primarily related to the Lipman acquisition and to a significantly higher GAAP tax
13 rate driven by an increase in the valuation allowance related to Lipman. Net
14 income, as adjusted, which excludes non-cash acquisition related charges and debt
issuance costs, as well as non-cash stock-based compensation expense and Lipman
integration costs, for the three months ended April 30, 2007, increased 50% to
\$0.39 per diluted share, compared to \$0.26 per diluted share, for the three months
ended April 30, 2006.

15 55. On May 31, 2007, Defendants allowed the Company to file with the SEC its
16 financial results for the quarter ended April 30, 2007 pursuant to Form 10-Q ("2Q07 Form 10-Q").
17 The 2Q07 Form 10-Q contained many of the same materially false and misleading statements as
18 the Company had made previously relating to the financial and operational performance of the
19 Company. The 2Q07 Form 10-Q contained certifications by defendant Bergeron and the CFO
20 Zwarenstein respectively, each of which was virtually identical to those filed in the previous
21 quarter and reproduced above. In addition, the 2Q07 Form 10-Q stated, in part, the following:

22 ***Unaudited Interim Financial Information***

23
24 The accompanying consolidated balance sheet as of April 30, 2007 and the
25 consolidated statements of operations for the three and six months ended April 30,
26 2007 and 2006 and consolidated statements of cash flows for the six months ended
27 April 30, 2007 and 2006 are unaudited. These unaudited interim condensed
28 consolidated financial statements have been prepared in accordance with U.S.
generally accepted accounting principles for interim financial information and
Form 10-Q and Article 10 of Regulation S-X. In the opinion of the Company's
management, the unaudited interim condensed consolidated financial statements
have been prepared on the same basis as the annual consolidated financial
statements and include all adjustments of a normal recurring nature necessary for

1 the fair presentation of the Company's financial position as of April 30, 2007 and
2 its results of operations for the three and six months ended April 30, 2007 and
2006, and cash flows for the six months ended April 30, 2007 and 2006.

3 * * *

4 ***Inventories***

5 Inventories are stated at the lower of standard cost or market. Standard costs
6 approximate the first-in, first-out ("FIFO") method. The Company regularly
7 monitors inventory quantities on hand and records write-downs for excess and
8 obsolete inventories based primarily on the Company's estimated forecast of
product demand and production requirements. Such write-downs establish a new
cost-basis of accounting for the related inventory. Actual inventory losses may
differ from management's estimates.

9 * * *

10 ***Segment Information***

11 The Company is primarily structured in a geographic manner. The Company's
12 Chief Executive Officer has been identified as the Chief Operating Decision Maker
13 ("CODM") as defined by SFAS No. 131, "*Disclosures About Segments of an
Enterprise and Related Information*". The CODM reviews consolidated financial
information on revenues and gross profit percentage for System Solutions and
Services. The CODM also reviews operating expenses, certain of which are
allocated to the Company's two segments described below.

14 The Company operates in two business segments: 1) North America and 2)
15 International. The Company defines North America as the United States and
16 Canada, and International as the countries in which it makes sales outside the
United States and Canada.

17 Net revenues and operating income of each business segment reflect net revenues
18 generated within the segment, standard cost of System Solutions net revenues,
19 actual cost of Services net revenues and expenses that directly benefit only that
segment. Corporate revenues and operating income reflect amortization of
20 intangible assets, stock-based compensation, in-process research and development
21 expense, and amortization of the step-up in the fair value of inventories, equipment
22 and improvements and deferred revenue resulting from acquisitions. Corporate
income also reflects the difference between the actual and standard cost of System
Solutions net revenues and shared operating costs that benefit both segments,
predominately research and development expenses and centralized supply chain
management.

56. On September 6, 2007, Defendants allowed VeriFone to publish a release on *Business Wire* which announced its financial results for the third fiscal quarter ended July 31, 2007. This press release stated, in part, the following:

VeriFone Reports Third Quarter Fiscal 2007 Results

Record Revenues of \$232 million
Record EBITDA, as adjusted, margins of 27.3%
Record EPS, as adjusted, of 42 cents, grew 50%
Record Operating Cash Flow of \$43 million

SAN JOSE, Calif.--(BUSINESS WIRE)--Sept. 6, 2007--VeriFone Holdings, Inc. (NYSE: PAY), the global leader in secure electronic payment solutions, today announced financial results for the three months ended July 31, 2007.

Net revenues, for the three months ended July 31, 2007, were \$231.9 million, 57% higher than the net revenues of \$147.6 million for the comparable period of 2006. Net revenues from VeriFone's International business increased 106% while net revenues from VeriFone's North America business increased 22%. The significant increase in net revenues was driven largely by the acquisition of Lipman Electronic Engineering Ltd., which closed November 1, 2006.

Gross margins, excluding non-cash acquisition related charges and stock-based compensation expense, expanded to a record 48.2%, for the three months ended July 31, 2007, compared to 45.9% for the comparable period of 2006. GAAP gross margins for the three months ended July 31, 2007, declined to 44.0% from 45.0% for the three months ended July 31, 2006, primarily as a result of increased amortization of purchased technology assets.

GAAP operating expenses for the three months ended July 31, 2007 were \$65.5 million compared to \$38.0 million for the comparable period of 2006. This increase was primarily due to the Lipman acquisition and related integration expenses.

EBITDA, as adjusted, margins for the three months ended July 31, 2007, expanded for the twelfth consecutive quarter and reached a record level of 27.3%, compared to the 22.6% recorded in the three months ended July 31, 2006.

GAAP EPS for the three months ended July 31, 2007, was \$0.16 per diluted share, compared to \$0.24 per diluted share, for the comparable period of fiscal 2006. This decline resulted from acquisition related non-cash charges, higher stock-based compensation expense and a higher GAAP tax rate driven by an increase in the valuation allowance related to the Lipman acquisition. Net income, as adjusted, which excludes non-cash acquisition related charges and debt issuance costs, as well as non-cash stock-based compensation expense and Lipman integration costs, for the three months ended July 31, 2007, increased 50% to \$0.42 per diluted share, compared to \$0.28 per diluted share, for the comparable period in 2006.

1 57. On September 7, 2007, Defendants allowed VeriFone to file with the SEC the
2 Company's financial results for the quarter ended July 31, 2007 pursuant to Form 10-Q ("3Q07
3 Form 10-Q"). The 3Q07 Form 10-Q contained many of the same materially false and misleading
4 statements as the Company had made previously relating to the financial and operational
5 performance of the Company. The 3Q07 Form 10-Q also contained certifications signed by
6 defendant Bergeron and the CFO Zwarenstein which were virtually identical to those filed in the
7 previous quarters and reproduced above. In addition, the 3Q07 Form 10-Q stated, in pertinent
8 part, as follows:
9

10 ***Unaudited Interim Financial Information***

11 The accompanying condensed consolidated balance sheet as of July 31, 2007, the
12 condensed consolidated statements of operations for the three and nine months
13 ended July 31, 2007 and 2006, and the condensed consolidated statements of cash
14 flows for the nine months ended July 31, 2007 and 2006 are unaudited. These
15 unaudited interim condensed consolidated financial statements have been prepared
16 in accordance with U.S. generally accepted accounting principles for interim
17 financial information and Form 10-Q and Article 10 of Regulation S-X. In the
18 opinion of the Company's management, the unaudited interim condensed
consolidated financial statements have been prepared on the same basis as the
annual consolidated financial statements and include all adjustments of a normal
recurring nature necessary for the fair presentation of the Company's financial
position as of July 31, 2007 and its results of operations for the three and nine
months ended July 31, 2007 and 2006, and cash flows for the nine months ended
July 31, 2007 and 2006.

* * *

19 ***Inventories***

20 Inventories are stated at the lower of standard cost or market. Standard costs
21 approximate the first-in, first-out ("FIFO") method. The Company regularly
22 monitors inventory quantities on hand and records write-downs for excess and
23 obsolete inventories based primarily on the Company's estimated forecast of
product demand and production requirements. Such write-downs establish a new
cost-basis of accounting for the related inventory. Actual inventory losses may
differ from management's estimates.

* * *

1 ***Segment Information***

2 The Company is primarily structured in a geographic manner. The Company's
3 Chief Executive Officer has been identified as the Chief Operating Decision Maker
4 ("CODM") as defined by SFAS No. 131, *Disclosures About Segments of an*
5 *Enterprise and Related Information*. The CODM reviews consolidated financial
6 information on revenues and gross profit percentage for System Solutions and
7 Services. The CORM also reviews operating expenses, certain of which are
8 allocated to the Company's two segments described below.

9 The Company operates in two business segments: 1) North America and 2)
10 International. The Company defines North America as the United States and
11 Canada, and International as the countries in which it makes sales outside the
12 United States and Canada.

13 Net revenues and operating income of each business segment reflect net revenues
14 generated within the segment, standard cost of System Solutions net revenues,
15 actual cost of Services net revenues and expenses that directly benefit only that
16 segment. Corporate revenues and operating income reflect amortization of
17 intangible assets, stock-based compensation, in-process research and development
18 expense, and amortization of the step-up in the fair value of inventories, equipment
19 and improvements and deferred revenue resulting from acquisitions. Corporate
20 income also reflects the difference between the actual and standard cost of System
21 Solutions net revenues and shared operating costs that benefit both segments,
22 predominately research and development expenses and centralized supply chain
23 management.

24 58. The statements set forth above were each materially false and misleading when
25 made, and were known or should have been known by the Director Defendants to be false or were
26 deliberately disregarded as such thereby. At all times during the Relevant Period, Defendants
27 allowed the Company to manipulate VeriFone's revenue and earnings reporting, in violation of
28 GAAP, by allowing the Company to improperly value in-transit inventory and allocating
29 manufacturing and distribution overhead to inventory. In doing so, the Company materially
30 overstated VeriFone's inventories and understated VeriFone's cost of net revenues. At all times
31 during the Relevant Period VeriFone's financial results were inaccurate and inherently unreliable.

1 **THE TRUE FINANCIAL AND OPERATIONAL**
2 **CONDITION OF VERIFONE IS DISCLOSED**

3 59. On December 3, 2007, Defendants were forced to have the Company issue a release
4 stating that the Company had concluded that its financial statements for the first three quarters of
5 fiscal year 2007 would be restated and should no longer be relied upon, as follows:

6 **VeriFone Announces Anticipated Restatement of 2007**
7 **Quarterly Financial Statements**

8 Also Announces Preliminary Fourth Quarter 2007 Revenue Results and
9 Delays Announcement of Fourth Quarter 2007 Financial Results

10 SAN JOSE, Calif.--(BUSINESS WIRE)--Dec. 3, 2007--VeriFone Holdings, Inc.
11 (NYSE:PAY) today announced that following a review by and on the
12 recommendation of management, it has concluded that its unaudited interim
13 consolidated financial statements for the three months ended January 31, 2007, the
14 three and six months ended April 30, 2007, and the three and nine months ended
15 July 31, 2007, should no longer be relied upon, principally due to errors in
16 accounting related to the valuation of in-transit inventory and allocation of
17 manufacturing and distribution overhead to inventory, each of which affects
18 VeriFone's reported costs of net revenues. The restatements are anticipated to
19 correct errors that overstated previously reported inventories in material amounts as
20 of January 31, 2007, April 30, 2007, and July 31, 2007, and understated cost of net
21 revenues in material amounts for the three month periods ended January 31, 2007,
22 April 30, 2007, and July 31, 2007. Accordingly, investors are cautioned not to rely
23 on VeriFone's historical financial statements and earnings press releases and
24 similar communications for the periods ended January 31, 2007, April 30, 2007,
25 and July 31, 2007.

26 Based on its review to date, management currently anticipates that the restatement
27 will result in reductions to previously reported inventories of approximately \$7.7
28 million, \$16.5 million and \$30.2 million as of January 31, 2007, April 30, 2007,
29 and July 31, 2007, respectively, and reductions to previously reported pre tax
30 income of approximately \$8.9 million, \$7.0 million and \$13.8 million for the three
31 month periods ended January 31, 2007, April 30, 2007, and July 31, 2007,
32 respectively. VeriFone is currently evaluating the anticipated effect of the
33 restatement on after-tax income for those periods.

34 These estimates include corrections of other unrelated errors detected in the course
35 of VeriFone's review to date, are based on currently available information and are
36 subject to change during the course of the company's restatement process. While
37 VeriFone is not currently aware of other accounting errors requiring adjustment to
38 any prior period financial statements, there can be no assurances that VeriFone or
39 its independent registered public accounting firm will not find additional
40 accounting errors requiring further adjustments in those or earlier periods.

41 * * *

1 VeriFone concluded that a restatement of its interim unaudited financial statements
2 is required as a result of an internal review of in-transit inventory balances
3 conducted in preparation for VeriFone's fiscal 2007 audit. In reaching the
4 conclusion to restate its financial results, VeriFone's management and the Audit
5 Committee discussed the matters described in this press release with VeriFone's
6 independent registered public accounting firm.

7 Upon completion of its assessment of these errors, VeriFone intends to file
8 amended Quarterly Reports on Form 10-Q for the periods described above that will
9 restate the previously issued financial statements included therein. VeriFone
10 currently estimates that it will file these amended quarterly reports, together with
11 its Annual Report on Form 10-K for the fiscal year ended October 31, 2007, in
12 January 2008. However, VeriFone cannot be certain how much time will
13 ultimately be required for it to complete the restatement process.

14 60. Following the publication of this release, which indicated that VeriFone had
15 overstated previously reported inventories and understated cost of net revenues in material
16 amounts, shares of VeriFone plummeted, falling over 45% in the single trading day – or \$22 per
17 share – to close at \$26.03, on huge trading volume of over 49 million shares or nearly 35 times its
18 average trading volume. Wedbush Morgan analyst Gil Luria called VeriFone's announcement
19 "pretty severe," noting that VeriFone made no assurances that the Company, or its outside
20 accountants, would not find more mistakes in its financial reporting. Tien-tsin Huang, an analyst
21 at JPMorgan Securities also commented, "The restatement calls into question VeriFone's gross
22 margins, which up until now have been positive fuel for the stock."

23 61. The market for VeriFone's securities was open, well-developed and efficient at all
24 relevant times. As a result of these materially false and misleading statements and failures to
25 disclose, VeriFone common stock traded at artificially inflated prices during the Relevant Period.

26 62. During the Relevant Period, Defendants allowed the Company to materially mislead
27 the investing public, thereby inflating the price of VeriFone common stock by publicly issuing false
28 and misleading statements and omitting to disclose material facts necessary to make the Company's
statements, as set forth herein, not false and misleading. Said statements and omissions were

1 materially false and misleading in that they failed to disclose material adverse information and
2 misrepresented the truth about the Company, its business and operations, as alleged herein.

3
4 **VIOLATIONS OF GAAP AND SEC REPORTING RULES**

5 63. During the Relevant Period, Director Defendants did not have the proper internal
6 controls in place, and thereby allowed the Company to materially mislead the investing public,
7 inflating the price of the Company's securities, by publicly issuing false and misleading statements
8 and omitting to disclose material facts necessary to make VeriFone's statements, as set forth herein,
9 not false and misleading. Said statements and omissions were materially false and misleading in that
10 they failed to disclose material adverse information and misrepresented the truth about the Company,
11 its financial performance, accounting, reporting, and financial condition in violation of the federal
12 securities laws and GAAP.

13
14 64. GAAP consists of those principles recognized by the accounting profession as the
15 conventions, rules, and procedures necessary to define accepted accounting practice at the particular
16 time. Regulation S-X, to which the Company is subject as a registrant under the Exchange Act, 17
17 C.F.R. 210.4-01(a)(1), provides that financial statements filed with the SEC which are not prepared
18 in compliance with GAAP, are presumed to be misleading and inaccurate. SEC Rule 13a-13 requires
19 issuers to file quarterly reports.

20
21 65. SEC Rule 12b-20 requires that periodic reports contain such further information as is
22 necessary to make the required statements, in light of the circumstances under which they are made,
23 not misleading.

24 66. In addition, Item 303 of Regulation S-K requires that, for interim periods, the
25 Management Division and Analysis Section ("MD&A") must include, among other things, a
26 discussion of any material changes in the registrant's results of operations with respect to the most
27 recent fiscal year-to-date period for which an income statement is provided. Instructions to Item 303
28

1 require that the this discussion identify any significant elements of registrant's income or loss from
2 continuing operations that are not necessarily representative of the registrant's ongoing business.
3 Item 303(a)(2)(ii) to Regulation S-K requires the following discussion in the MD&A of a company's
4 publicly filed reports with the SEC:

5
6 Describe any known trends or uncertainties that have had or that the registrant
7 reasonably expects will have a material favorable or unfavorable impact on net sales
8 or revenues or income from continuing operations. If the registrant knows of events
that will cause a material change in the relationship between costs and revenues
(such as known future increases in costs of labor or materials or price increases or
inventory adjustments), the change in relationship shall be disclosed.

9 Paragraph 3 of the Instructions to Item 303 states in relevant part:

10 The discussion and analysis shall focus specifically on material events and
11 uncertainties known to management that would cause reported financial information
12 not to be necessarily indicative of future operating results or of fixture financial
condition. Thus would include descriptions and amounts of (A) matters that would
have an impact on future operations and have not had an impact in the past...

13 67. The GAAP requirement for recognition of an adequate provision for foreseeable costs
14 and an associated allowance applies to interim financial statements as required by Accounting
15 Principles Board Opinion No. 28. Paragraph 17 of this authoritative pronouncement states that:

16
17 The amounts of certain costs and expenses are frequently subjected to year-end
18 adjustments even though they can be reasonably approximated at interim dates. To
19 the extent possible such adjustments should be estimated and the estimated costs and
expenses assigned to interim periods so that the interim periods bear a reasonable
portion of the anticipated annual amount.

20 68. The Company's financial statements contained in the fiscal 2006 Form 10-K and/or
21 the quarterly reports filed with the SEC on Forms 10-Q for the quarterly periods throughout the
22 Relevant Period were presented in a manner that violated the principle of fair financial reporting and
23 the following GAAP, among others:

24 A. The principle that financial reporting should provide information that is useful
25 to present and potential investors and creditors and other users in making rational
26 investment, credit and similar decisions (FASB Statement of Concepts No. 1).
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1 B. The principle that financial reporting should provide information about an
2 enterprise's financial performance during a period (FASB Statement of Concepts No. 1).

3 C. The principle that financial reporting should be reliable in that it represents
4 what it purports to represent (FASB Statement of Concepts No. 2).

5 D. The principle of completeness, which means that nothing material is left out
6 of the information that may be necessary to ensure that it validly represents underlying
7 events and Statement of Concepts No. 2).

8 E. The principle that conservatism be used as a prudent reaction to uncertainty to
9 try to ensure that uncertainties and risks inherent in business situations are adequately
10 considered (FASB Statement of Concepts No. 2).

11 F. The principle that contingencies and other uncertainties that affect the fairness
12 of presentation of financial data at an interim date shall be disclosed in interim reports in the
13 same manner required for annual reports (APB Opinion No. 28).

14 G. The principle that disclosures of contingencies shall be repeated in interim
15 and annual reports until the contingencies have been removed, resolved, or have become
16 immaterial (APB Opinion No. 28).

17 H. The principle that management should provide commentary relating to the
18 effects of significant events upon the interim financial results (APB Opinion No. 28).

19 69. In addition, during the Relevant Period, Director Defendants allowed the Company to
20 violate SEC disclosure rules in that:

21 A. The Company failed to disclose the existence of known trends, events or
22 uncertainties that they reasonably expected would have a material, unfavorable impact on net
23 revenues or income or that were reasonably likely to result in the Company's liquidity
24 decreasing in a material way, in violation of Item 303 of Regulation S-K under the federal
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securities laws (17 C.F.R. 229.303), and that failure to disclose the information rendered the statements that were made during the Relevant Period materially false and misleading; and

B. The Company failed to file financial statements with the SEC that conformed to the requirements of GAAP, such financial statements were presumptively misleading and inaccurate pursuant to Regulation S-X, 17 C.F.R. § 210.4-01(a)(1).

70. Defendants were required have the Company disclose the existence of the material facts described herein and to appropriately recognize and report assets, revenues, and expenses in conformity with GAAP in the Company's financial statements. The Company failed to make such disclosures and failed to account for and to report its financial statements in conformity with GAAP. Director Defendants should have known, or were reckless in not knowing, the facts which indicated that the fiscal 2006 Form 10-K and all of the Company's interim financial statements, press releases, public statements, and filings with the SEC, which were disseminated to the investing public during the Relevant Period, were materially false and misleading for the reasons set forth herein. Had the true financial position and results of operations of the Company been disclosed during the Relevant Period, the Company's common stock would have traded at prices well below that which it did.

INSIDER SELLING

71. Defendants Bergeron, Castle, Roche, Bondy and Zwarenstein (collectively, "Insider Selling Defendants") took advantage of this undisclosed information to sell their personally held stock for considerably more than they were worth. Therefore, while in possession of undisclosed material adverse information, Defendant Zwarenstein sold the following shares of the Company's stock during the Relevant Period:

Barry Zwarenstein

<u>Transaction Date</u>	<u>Shares Sold</u>	<u>Avg. Share Price</u>	<u>Proceeds</u>
8/31/2006	4,000	\$23.00	\$92,000
9/29/2006	4,000	\$28.75	\$115,000

1	10/31/2006	4,000	\$29.00	\$116,000
2	11/30/2006	4,000	\$33.25	\$133,000
	12/12/2006	4,000	\$37.25	\$149,000
3	1/9/2007	4,000	\$35.50	\$142,000
	3/15/2007	12,600	\$35.87	\$452,000
4	3/15/2007	5,400	\$36.11	\$195,000
	4/10/2007	12,215	\$37.99	\$464,000
5	4/10/2007	5,785	\$37.68	\$218,000
	5/8/2007	8,200	\$37.32	\$306,000
6	5/8/2007	9,700	\$37.73	\$366,000
	6/12/2007	6,300	\$33.02	\$208,000
7	6/12/2007	11,700	\$32.65	\$382,000
	7/10/2007	8,200	\$36.22	\$297,000
8	7/10/2007	9,800	\$36.53	\$358,000
	8/14/2007	9,700	\$37.11	\$360,000
9	8/14/2007	8,300	\$36.51	\$303,000
10	9/11/2007	9,000	\$39.44	\$355,000
	9/11/2007	9,000	\$39.89	\$359,000
11	9/12/2007	3,574	\$39.73	\$142,000
	9/24/2007	222	\$38.64	\$8,578
12	10/9/2007	3,700	\$45.41	\$168,000
	10/9/2007	4,700	\$44.89	\$211,000
13	10/9/2007	5,100	\$44.31	\$226,000
	10/9/2007	4,400	\$44.55	\$196,000
14	10/9/2007	100	\$45.01	\$4,501
15	11/13/2007	8,778	\$43.97	\$386,000
16	11/13/2007	9,222	\$45.11	\$416,000

TOTAL SHARES		TOTAL	
SOLD:	189,696	PROCEEDS:	\$7,128,079

72. Sales by Defendants Bergeron, Castle, Roche and Bondy are detailed in ¶¶ 76(g) – (i).
below.

DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS

73. Plaintiff hereby incorporates ¶¶ 1-72 above.

74. Plaintiff brings this action derivatively in the right of and for the benefit of VeriFone to redress injuries suffered and to be suffered by VeriFone as a direct result of the violations of law, breaches of fiduciary duty, corporate mismanagement, abuse of control, as well as the aiding and abetting thereof, by the Director Defendants. VeriFone is named as a nominal defendant solely in a derivative capacity. This is not a collusive action to confer jurisdiction on this Court which it would not otherwise have.

1 75. Plaintiff will adequately and fairly represent the interests of VeriFone and its
2 shareholders in enforcing and prosecuting their rights.

3 76. The VeriFone Board cannot exercise independent objective judgment in deciding
4 whether to bring this action or whether to vigorously prosecute this action detailed herein.
5 Therefore, Plaintiff's demand on the present Board of Directors of VeriFone to institute this action
6 should be excused since such demand would be a futile and useless act. For the following reasons
7 and those detailed elsewhere in this Complaint, Plaintiff has not made a pre-filing demand on the
8 VeriFone Board to initiate this action:

9 (a) The entire VeriFone Board of Directors participated in or approved many of
10 the acts and omissions or were on notice of and/or recklessly disregarded the wrongs complained of
11 herein;

12 (b) The acts complained of herein constitute violations of fiduciary duties owed
13 to VeriFone's Board of Directors and these acts are incapable of ratification;

14 (c) The directors of VeriFone cannot be relied upon to reach a truly independent
15 decision as to whether to commence the demanded actions against themselves and the officers,
16 employees or consultants responsible for the misconduct alleged in this Complaint, in that, *inter alia*,
17 the Board of Directors is dominated by defendants who were personally and directly involved in the
18 misconduct alleged and/or who each approved the actions complained of, and to whose directives
19 and views the Board has consistently acceded and will continue to accede. This domination of the
20 Board of Directors by certain defendants has impaired the Board's ability to validly exercise its
21 business judgment and rendered it incapable of reaching an independent decision as to whether to
22 accept plaintiff's demands;

23 (d) In order to bring this action for breaching their fiduciary duties, the members
24 of the VeriFone Board of Directors would have been required to sue themselves and/or their fellow
25 directors and allies in the top ranks of the Corporation, who are their good friends and with whom
26 they have entangling financial alliances, interests and dependencies, which they would not do.
27 Therefore, the Director Defendants would not be able to vigorously prosecute any such action and
28

1 cannot in good faith exercise independent business judgment to determine whether to bring this
2 action against themselves and one another;

3 (e) The members of the VeriFone Board of Directors, including each of the
4 Director Defendants herein, receive payments, benefits, stock options and other emoluments by
5 virtue of their membership on the Board and their control of VeriFone. They have thus benefited
6 from the wrongdoing herein alleged and have engaged in such conduct to preserve their positions of
7 control and the perquisites thereof, and are incapable of exercising independent objective judgment
8 in deciding whether to bring this action.

9 (f) Defendant Bergeron could not comply with the fiduciary duties to
10 independently consider a pre-suit demand to bring the claims alleged herein because is employed by
11 VeriFone as its CEO and Chairman. Therefore, under applicable NASDAQ listing standards and
12 SEC rules, Bergeron is not considered independent.

13 (g) In addition, throughout the Relevant Period, Defendant Bergeron is and at all
14 relevant times was independence-impaired because his sale of VeriFone stock at artificially inflated
15 prices. When Bergeron made his open market sales of VeriFone stock, the price of the stock was
16 artificially inflated because of material misrepresentations and omissions of fact made by the
17 Company regarding VeriFone's financial well-being and business prospects. Defendant Bergeron
18 made the following sales of VeriFone stock during the Relevant Period:

19	<u>Transaction Date</u>	<u>Shares Sold</u>	<u>Avg. Share Price</u>	<u>Proceeds</u>
20	9/5/2006	114,400	\$28.05	\$3,209,000
	9/5/2006	5,400	\$28.52	\$154,000
21	10/2/2006	17,200	\$28.08	\$483,000
	10/2/2006	11,100	\$28.29	\$314,000
22	11/1/2006	19,700	\$29.39	\$579,000
	11/1/2006	19,000	\$29.58	\$562,000
23	11/1/2006	28,900	\$29.79	\$861,000
	11/1/2006	57,400	\$30.12	\$1,729,000
24	12/1/2006	50,500	\$33.33	\$1,683,000
	12/1/2006	17,500	\$33.54	\$587,000
25	12/4/2006	61,100	\$34.16	\$2,087,000
	12/4/2006	20,900	\$34.45	\$720,000
26	12/11/2006	26,900	\$35.65	\$959,000
	12/11/2006	21,300	\$35.82	\$763,000
27	12/11/2006	28,800	\$35.94	\$1,035,000
28				

1	12/11/2006	10,600	\$36.13	\$383,000
2	12/11/2006	12,300	\$36.42	\$448,000
3	12/13/2006	27,200	\$36.43	\$991,000
4	12/13/2006	37,800	\$36.56	\$1,382,000
5	12/13/2006	18,840	\$36.73	\$692,000
6	12/13/2006	12,500	\$36.96	\$462,000
7	12/13/2006	3,700	\$37.30	\$138,000
8	12/29/2006	1,005,398	\$35.40	\$35,591,089
9	1/10/2007	200,000	\$35.43	\$7,085,000
10	3/15/2007	110,687	\$35.88	\$3,971,000
11	3/15/2007	69,613	\$36.01	\$2,507,000
12	3/15/2007	19,700	\$36.19	\$713,000
13	3/22/2007	3,575	\$37.48	\$134,000
14	4/11/2007	24,000	\$37.67	\$904,000
15	5/10/2007	47,600	\$37.88	\$1,803,000
16	5/10/2007	28,164	\$38.03	\$1,071,000
17	5/10/2007	21,671	\$38.21	\$828,000
18	5/14/2007	88,100	\$37.89	\$3,338,000
19	6/12/2007	40,100	\$32.54	\$1,305,000
20	6/12/2007	63,800	\$32.76	\$2,090,000
21	6/12/2007	46,100	\$32.99	\$1,521,000
22	6/22/2007	894	\$36.91	\$33,000
23	7/12/2007	43,300	\$36.40	\$1,576,000
24	7/12/2007	71,450	\$36.54	\$2,611,000
25	7/12/2007	47,950	\$36.73	\$1,761,000
26	7/12/2007	37,300	\$36.92	\$1,377,000
27	8/10/2007	83,700	\$39.10	\$3,273,000
28	9/10/2007	82,500	\$39.01	\$3,218,325
29	9/10/2007	86,300	\$38.83	\$3,351,000
30	9/10/2007	31,200	\$39.29	\$1,226,000
31	9/24/2007	893	\$39.19	\$35,000
32	10/10/2007	43,200	\$45.30	\$1,957,000
33	10/10/2007	69,800	\$45.62	\$3,184,000
34	10/10/2007	69,700	\$45.88	\$3,198,000
35	10/10/2007	17,300	\$46.02	\$796,146
36	11/14/2007	41,398	\$45.09	\$1,867,000
37	11/14/2007	47,197	\$44.81	\$2,115,000
38	11/14/2007	28,682	\$45.35	\$1,301,000
39	11/14/2007	4,925	\$45.88	\$226,000
40	11/14/2007	18,293	\$45.64	\$835,000
41	11/19/2007	14,405	\$44.84	\$646,000
42	11/26/2007	4,100	\$46.43	\$190,363
43	11/26/2007	6,800	\$45.88	\$312,000
44	11/26/2007	12,500	\$45.36	\$567,000
45	11/26/2007	19,900	\$44.77	\$891,000

TOTAL		TOTAL
SHARES SOLD:	3,275,235	PROCEEDS \$119,628,923

Defendant Bergeron received approximately \$119,628,923 for his shares. On December 3, 2007, the first day of trading after public disclosure of the truth, VeriFone's stock closed at \$26.03 per share. This values the 3,275,235 shares defendant Bergeron sold at \$85,254,367.05. Bergeron has thus benefited from the wrongdoing herein alleged; therefore, he would have been unable to comply with his fiduciary duties to disinterestedly consider pre-suit demand of the allegations contained here.

(h) Defendant Castle is and at all relevant times was independence-impaired because his sale of VeriFone stock during the Relevant Period at artificially inflated prices. When Castle made his open market sales of VeriFone stock, the price of the stock was artificially inflated because of material misrepresentations and omissions of fact made by the Company regarding VeriFone's financial well-being and business prospects. Defendant Castle made the following sales of VeriFone stock during the Relevant Period:

<u>Transaction Date</u>	<u>Shares Sold</u>	<u>Avg. Share Price</u>	<u>Proceeds</u>
12/13/2006	500	\$36.60	\$18,300
9/14/2007	4,500	\$39.20	\$176,000
TOTAL SHARES SOLD:	5,000	TOTAL PROCEEDS:	\$194,300

Defendant Castle received approximately \$194,300 for his shares. On December 3, 2007, the first day of trading after public disclosure of the truth, VeriFone's stock closed at \$26.06 per share. This values the 5,000 shares defendant Castle sold at \$130,150. Defendant Castle has thus benefited from the wrongdoing herein alleged; therefore, he would have been unable to comply with his fiduciary duties to disinterestedly consider pre-suit demand of the allegations contained here.

(i) Defendant Roche is and at all relevant times was independence-impaired because of his, defendant Bondy and his company's (GTCR Golder Rauner, L.L.C.) sale of VeriFone stock during the Relevant Period at artificially inflated prices. When Roche, a principal at GTCR which owns 20% of VeriFone's outstanding shares of common stock, defendant Bondy, also a principal at GTCR while a director with the Company, and the three funds controlled by GTCR made open market sales of VeriFone stock, the price of the stock was artificially inflated because of

1 material misrepresentations and omissions of fact made by the Company regarding VeriFone's
 2 financial well-being and business prospects. Roche, Bondy and GTCR made the following sales of
 3 VeriFone stock during the Relevant Period:

4	<u>Transaction Date</u>	<u>Shares Sold</u>	<u>Avg. Share Price</u>	<u>Proceeds</u>
5	12/19/2006	3,000,000	\$35.78	\$107,340,000
6	12/19/2006	3,000,000	\$35.78	\$107,340,000 ¹
7	12/19/2006	25,387	\$35.78	\$911,000 ²
8	12/19/2006	2,773,042	\$35.78	\$99,219,000 ³
9	12/19/2006	201,571	\$35.78	\$7,212,000 ⁴
10	6/25/2007	3,500,000	\$35.37	\$123,795,000
11	6/25/2007	3,500,000	\$35.37	\$123,795,000 ⁵
12	6/25/2007	29,619	\$35.37	\$1,048,000 ⁶
13	6/25/2007	3,235,216	\$35.37	\$114,430,000 ⁷
14	6/25/2007	235,165	\$35.37	\$8,318,000 ⁸
15	9/13/2007	3,300,000	\$38.61	\$127,413,000
16	9/13/2007	3,300,000	\$38.61	\$127,413,000 ⁹
17	9/13/2007	27,926	\$38.61	\$1,078,000 ¹⁰
18	9/13/2007	3,050,346	\$38.61	\$117,774,000 ¹¹
19	9/13/2007	221,728	\$38.61	\$8,561,000 ¹²
20	TOTAL SHARES		TOTAL	
21	SOLD:	29,400,000	PROCEEDS:	\$1,075,647,000

22 Sold by defendant Bondy.

23 Sold by GTCR Co-Invest, L.P. c/o GTCR Golder Rauner LLC.

24 Sold by GTCR Fund VII, L.P. c/o GTCR Golder Rauner LLC.

25 Sold by GTCR Capital Partners L.P. c/o GTCR Golder Rauner LLC.

26 Sold by defendant Bondy.

27 Sold by GTCR Co-Invest, L.P. c/o GTCR Golder Rauner LLC.

28 Sold by GTCR Fund VII, L.P. c/o GTCR Golder Rauner LLC.

29 Sold by GTCR Capital Partners L.P. c/o GTCR Golder Rauner LLC.

30 Sold by defendant Bondy.

31 Sold by GTCR Co-Invest, L.P. c/o GTCR Golder Rauner LLC.

32 Sold by GTCR Fund VII, L.P. c/o GTCR Golder Rauner LLC.

33 Sold by GTCR Capital Partners L.P. c/o GTCR Golder Rauner LLC.

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2 Roche, Bondy and GTCR received approximately \$1,075,647,000 for their shares. On
3 December 3, 2007, the first day of trading after public disclosure of the truth, VeriFone's stock
4 closed at \$26.03 per share. This values the 29,400,000 shares Roche, Bondy and GTCR sold
5 collectively at \$765,282,000. Roche, Bondy and GTCR have thus benefited from the wrongdoing
6 herein alleged; therefore, he would have been unable to comply with his fiduciary duties to
7 disinterestedly consider pre-suit demand of the allegations contained here.
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9 (j) Additionally, during the period from November 1, 2003 to March 1, 2005, the
10 Company paid approximately \$1.8 million to Driver Alliant Insurance Services, Inc., of which
11 Driver Alliant retained approximately \$71,000 as service fees for insurance brokerage services and
12 the remainder of which remitted to insurers as insurance premiums. Since November 1, 2003, the
13 Company has also paid approximately \$91,000 to Horn Murdock Cole for consulting services.
14 Additionally prior to August 2006, Driver Alliant received customary commissions from various
15 companies in their capacity as the Company's health insurance broker. Both Driver Alliant and
16 Horn Murdock Cole are controlled by GTCR Colder Rauner, LLC, an affiliate of GTCR Fund VII,
17 L.P. one of our significant stockholders. In entering these transactions, the Company has stated it
18 did not seek proposals from third parties for their services. For the years ended October 31, 2005,
19 2004 and 2003, the Company recorded \$125,000, \$250,000 and \$250,000, respectively, of
20 management fees payable to GTCR Golder Rauner, LLC, an affiliate of GTCR Fund VII, L.P.
21 Because Roche is a principal for GTCR, and GTCR and its affiliates have significantly benefited
22 from transactions it has entered into with VeriFone, Roche is and at all relevant times was
23 independence-impaired, making him unable to comply with his fiduciary duties to disinterestedly
24 consider pre-suit demand of the allegations contained here.
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1 (k) The members of VeriFone's Audit Committee were charged with assisting the
2 Board of Directors in fulfilling its oversight responsibility relating to, among other things:

- 3 • the integrity of VeriFone's financial statements;
- 4 • VeriFone's compliance with legal and regulatory requirements;
- 5 • VeriFone's independent registered public accounting firm's qualifications and
6 independence;
- 7 • the performance VeriFone's internal audit function and independent registered
8 public accounting firm; and
- 9 • the retention of VeriFone's independent registered public accounting firm.

10 The members of VeriFone's Audit Committee were defendants Henske (Chairman), Castle,
11 Denend and Rinehart. By virtue of the fact that each member of the Audit Committee was charged
12 with overseeing and ensuring VeriFone's accounting and reporting practices ensured that all
13 statements made to investors regarding the Company's finances would be accurate and complete
14 and it was not, defendants Henske, Castle, Denend and Rinehart are personally implicated by the
15 allegations contained herein and they would have been unable to comply with their fiduciary duties
16 to disinterestedly consider pre-suit demand of the allegations contained here.

17 (l) Defendant Henske could not comply with the fiduciary duties to
18 independently consider a pre-suit demand to bring the claims alleged herein because he is and at all
19 relevant times was the Audit Committee's financial expert within the meaning of SEC regulations.
20 As the Audit Committee's financial expert, the Company determined that Henske demonstrated the
21 following qualifications: (i) an understanding of GAAP; (ii) ability to apply GAAP to accounting for
22 estimates, accruals and reserves; (iii) experience preparing, auditing, analyzing or evaluating
23 financial statements that present a breadth and level of complexity of accounting issues that are
24 generally comparable to the issues to be raised by the Company's financial statements, or experience
25 actively supervising persons engaged in these activities; (iv) understanding of internal control over
26 financial reporting and (v) understanding of Audit Committee functions. Henske is also currently
27 CFO and Senior Vice President of Finance and Administration of Intuit Inc. Prior to this current
28 position, Henske was CFO of Synopsys Inc. Henske was also CFO at American Savings Bank. He

1 received his M.B.A. in finance and strategic planning from the Wharton School at the University of
2 Pennsylvania. Despite his education and previous professional experience as a CFO for multiple
3 public companies, Henske caused VeriFone's to report financial statements and reports that could no
4 longer be relied upon and that required the results for at least the previous three quarters to be
5 restated. Thus, Henske, as the Company's financial expert, is personally implicated by the
6 allegations contained herein and he would have been unable to comply with his fiduciary duties to
7 disinterestedly consider pre-suit demand of the allegations contained here.

8 (m) The members of VeriFone's Corporate Governance and Nominating
9 Committee were charged with, among other things, developing and recommending to the Board a set
10 of corporate governance principles. The members of the committee during the Relevant Period were
11 defendants Castle (Chairman) and Hart. By virtue of the fact that each member of the Corporate
12 Governance and Nominating Committee was charged with overseeing the Company's governance,
13 which has failed and led to the allegations against the Company, defendants Castle and Hart are
14 personally implicated by the allegations contained herein and they would have been unable to
15 comply with their fiduciary duties to disinterestedly consider pre-suit demand of the allegations
16 contained here.

17 (n) Defendant Raff could not comply with the fiduciary duties to independently
18 consider a pre-suit demand to bring the claims alleged herein because Bank Leumi, the bank of
19 which defendant Raff is Chairman, has entered into a significant, suspect related transaction with
20 VeriFone. On October 31, 2006, in connection with the merger of VeriFone and Lipman Electronic
21 Engineering Ltd., Bank Leumi USA, subsidiary of Israel's Bank Leumi Group, entered into a Credit
22 Agreement with VeriFone, the "Borrower," which consists of a 6-year \$40 million secured revolving
23 credit facility and a 7-year \$500 million secured Term B Loan. According to the Credit Agreement,
24 Bank Leumi is a co-documentation agent for the lenders. As an agent for the lenders to the
25 agreement, Bank Leumi and its Chariman, defendant Raff, have a financial interest in the financial
26 performance of the Company; thereby making Raff unable comply with their fiduciary duties to
27 disinterestedly consider pre-suit demand of the allegations contained here.

1 (o) Defendant Denend could not comply with the fiduciary duties to
2 independently consider a pre-suit demand to bring the claims alleged herein because of his
3 relationship with interested director, Bergeron, due to the professional relationship Denend had with
4 defendant Bergeron's wife, Sandra Bergeron. Defendant Denend was President of Network
5 Associates from December 1997 through 1998. Prior to and continuing through that time, Sandra
6 Bergeron held several executive positions at Network Associates, including Executive Vice
7 President of Corporate Development and Strategic Research. Accordingly, neither defendant
8 Denend nor defendant Bergeron could independently consider a pre-suit demand based on the
9 ongoing professional and personal ties they share.

10 **FIRST CAUSE OF ACTION**

11 **For Intentional Breach of Fiduciary Duties** 12 ***Against All Defendants***

13 77. Plaintiff incorporates by reference each of the foregoing allegations.

14 78. The Defendants are fiduciaries of VeriFone and of all of its public shareholders and
15 owe to them the duty to conduct the business of the Company loyally, faithfully, carefully, diligently
16 and prudently. This cause of action is asserted based upon the Director Defendants' acts in violation
17 of state law, which acts constitute breach of fiduciary duty and waste of the Company's corporate
18 assets.

19 79. The Director Defendants, in their roles as executives and/or directors of the
20 Company, participated in the acts of mismanagement alleged herein, or acted in reckless disregard of
21 the facts known to them, and failed to exercise due care to prevent the violation of the federal
22 securities laws. The Defendants became aware, or should have become aware through reasonable
23 inquiry, of the facts alleged herein including, among others, that contrary to public statements by
24 certain Company officials, Defendants had purposely or recklessly failed to properly account for
25 increased competition and seasonal slowing, which led to slower sales in North America, and
26 increased regulatory issues in China and Japan, which hampered its ability to obtain product
27 approvals and offer certain products for sale in these market, but Defendants did nothing to correct
28 these false statements and omissions and thereby breached their duty of care, loyalty, accountability

1 and disclosure to the shareholders of the Company by failing to act as an ordinary prudent person
2 would have acted in a like position.

3 80. The Defendants have been responsible for the gross mismanagement of VeriFone.
4 The Defendants abdicated their corporate responsibilities by mismanaging the Company in at least
5 the following ways:

6 (a) They caused VeriFone to violate the federal securities laws;

7 (b) They concealed from the Company's shareholders and the investing public the
8 true nature and extent of the problems the Corporation was suffering; and

9 (c) They subjected VeriFone to adverse publicity, greatly increased its costs to
10 raise capital, and impaired its earnings.

11 81. As a result of Defendants' wrongful conduct and wrongful action, including the
12 failure to maintain a system of internal controls adequate to insure the Company's compliance with
13 the federal securities laws and to prevent illegal insider selling by Company officials, VeriFone has
14 suffered considerable damage to and drastic diminution in value of its assets.

15 82. All Defendants, singly and in concert, engaged in the aforesaid conduct in intentional
16 breach and/or reckless disregard of their fiduciary duties to the Company.

17 83. The VeriFone Director Defendants conspired to abuse, and did abuse, the control
18 vested in them by virtue of their high-level positions in the Company.

19 84. By reason of the foregoing, the Defendants have breached their fiduciary obligations
20 to VeriFone and its shareholders.

21 85. VeriFone and its shareholders have been injured by reason of the Defendants'
22 intentional breach and/or reckless disregard of their fiduciary duties to the Company. Plaintiff, as a
23 shareholder and representative of VeriFone, seeks damages and other relief for the Company as
24 hereinafter set forth.

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SECOND CAUSE OF ACTION

**For Negligent Breach of Fiduciary Duties
Against All Defendants**

86. Except to the extent they allege intentional or reckless misconduct by any defendant, plaintiff incorporates by reference each of the foregoing allegations.

87. The Defendants engaged in the aforesaid conduct without exercising the reasonable and ordinary care owed to the Company by directors, officers, managing agents and employees of the Company.

88. VeriFone and its shareholders have been injured by reason of the Defendants' negligent breaches of their fiduciary duties. Plaintiff, as a shareholder and representative of VeriFone, seeks damages and other relief for the Company as hereinafter set forth.

THIRD CAUSE OF ACTION

**Breach of Fiduciary Duties for Insider Selling and Misappropriation of Information
Against the Insider Selling Defendants**

89. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

90. At the time of the stock sales set forth herein, the Insider Selling Defendants knew the information described above, and sold the Company common stock on the basis of such information.

91. The information described above was proprietary non-public information concerning the Company's financial condition and future business prospects. It was a proprietary asset belonging to the Company, which the Insider Selling Defendants used for their own benefit when they sold the Company common stock.

92. At the time of their stock sales, the Insider Selling Defendants knew that the Company's revenues were materially overstated. The Insider Selling Defendants' sales of Company common stock while in possession and control of this material adverse non-public information was a breach of their fiduciary duties of loyalty and good faith.

93. Since the use of the Company's proprietary information for their own gain constitutes a breach of the Insider Selling Defendants' fiduciary duties, the Company is entitled to the imposition of a constructive trust on any profits the Insider Selling Defendants obtained thereby.

1 **FOURTH CAUSE OF ACTION**

2 **Derivative Claim For Waste Of Corporate Assets**
3 ***Against All Defendants***

4 94. Except to the extent they allege intentional or reckless misconduct by any defendant,
5 plaintiff incorporates by reference each of the foregoing allegations.

6 95. As a direct result of wrongdoing alleged herein, Defendants have unreasonably and
7 unnecessarily caused VeriFone to expend hundreds of millions of dollars of corporate assets and
8 have subjected the Company to additional liability in untold millions of dollars, to the extreme
9 detriment of the Company.

10 96. As a direct and proximate result of these Defendants' waste of corporate assets as
11 alleged herein, VeriFone has sustained damages.

12 **PRAYER FOR RELIEF**

13 WHEREFORE, plaintiff demands judgment on behalf of VeriFone as follows:

14 A. Against each Defendant for restitution and/or damages in favor of plaintiff, on behalf
15 of VeriFone and its public shareholders, and awarding punitive and exemplary damages as
16 appropriate, plus pre-judgment interest, molded in a fashion to ensure Defendants do not participate
17 therein or benefit thereby;

18 B. Extraordinary equitable and/or injunctive relief as permitted by law, equity and state
19 statutory provisions sued hereunder, including attaching, impounding, imposing a constructive trust
20 on or otherwise restricting the proceeds of defendants' trading activities or their other assets so as to
21 assure that plaintiff on behalf of VeriFone has an effective remedy;

22 C. Directing VeriFone to take all necessary actions to reform and improve its corporate
23 governance and internal control procedures to comply with Sarbanes-Oxley Act of 2002, as well as
24 all other legal and fiduciary principles as necessary, and to protect the Company and its shareholders
25 from the damaging events described herein;

26 D. Awarding plaintiff the costs and disbursements of this action, including reasonable
27 attorneys', accountants', and experts' fees, costs and expenses; and

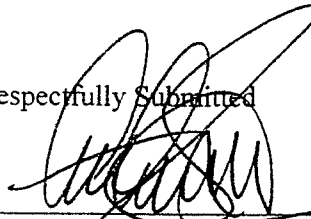
28 E. Granting such other and further relief as this Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: December 14, 2007

Respectfully Submitted



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Counsel for Plaintiff

VERIFICATION

I, CHARLES R. KING, hereby declare and verify that I have reviewed the foregoing Verified Derivative Complaint for Breach of Fiduciary Duty, Gross Mismanagement, and the Misappropriation and Waste of Corporate Assets, and I believe the matters therein are true and correct to the best of my knowledge, information and belief. I have authorized its filing and declare penalty of perjury that the foregoing is true and correct.

Executed this 13 day of December, 2007, at Port St Lucie FL 34986-3033
(City) (State)

Charles R. King
Charles R. King